

Message Text

SECRET

PAGE 01 SANTIA 02045 01 OF 03 050000Z

72

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 127226

O 042140Z APR 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 2753

S E C R E T SECTION 1 OF 3 SANTIAGO 2045

STADIS //////////////////////////////////////

EXDIS

E.O. 11652: GDS

TAGS: PGOV, PINT, PINS, CI

SUBJECT: POSSIBLE DEVELOPMENTS OVER MEDIUM AND LONG-TERM --CHILE

REF: STATE 74045

FOR ASSISTANT SECRETARY ROGERS ONLY

1. SUMMARY: I SHARE YOUR APPREHENSION WITH RESPECT TO THE ECONOMIC AND FINANCIAL PROBLEMS CONFRONTING CHILE IN THE SHORT AND MEDIUM-TERM FUTURE. I BELIEVE THESE WILL SUBJECT THE JUNTA TO THE HARDEST TESTS IT HAS YET EXPERIENCED. UNLESS THE COUNTRY CAN RESTORE ITS INTERNATIONAL POLITICAL STANDING -- A DOUBTFUL CONTINGENCY-- I WOULD EXPECT TO SEE INCREASING DOMESTIC ECONOMIC STRAINS; THE REPLACEMENT OF THE CURRENT "SOCIAL MARKET ECONOMY" BY A MORE TIGHTLY CONTROLLED, POPULIST-COLLECTIVIST ECONOMIC STRUCTURE; A GRADUAL INCREASE IN INTERNAL TENSION AND A LOSS OF MORALE AMONG THE MILITARY; AND THE INITIATION OF ONE OF THE SCENARIOS DESCRIBED BELOW.

2. THIS IS NOT TO SAY THAT THERE IS ANY IMMEDIATE THREAT TO THE PRESENT REGIME. ITS OPPOSITION IS FRAGMENTED AND STILL INEFFECTIVE WITHIN CHILE. BUT IF CURRENT TRENDS ARE NOT REVERSED, EITHER THROUGH A PRONOUNCED WORLD-WIDE ECONOMIC RECOVERY RAISING COPPER

SECRET

SECRET

PAGE 02 SANTIA 02045 01 OF 03 050000Z

PRICES OR BY INTERNAL CHANGES WHICH WILL MOLLIFY CHILE'S

ANTAGONISTS IN THE UNITED STATES AND EUROPE, THE
ONGER-TERM OUTLOOK FOR STABILITY IS DISCOURAGING.
INSTABILITY IS NOT IN OUR INTEREST. END SUMMARY.

3. THE INTERNATIONAL ECONOMIC PERSPECTIVES. THE ADVERSE
DEVELOPMENTS LISTED IN YOUR TELEGRAM MUST BE VIEWED IN
CONJUNCTION WITH THE INCREASING DIFFICULTIES CHILE IS
ENCOUNTERING ELSEWHERE IN OBTAINING ADDITIONAL BALANCE
OF PAYMENTS ASSISTANCE, ECONOMIC AID, MILITARY ASSISTANCE,
AND EVEN SOME ESSENTIAL TRADE (NOTE THE UNWILLINGNESS OF
UNIONIZED DOCK WORKERS ON OCCASION TO HANDLE CHILEAN
CARGO). ALL THESE FACTORS SUGGEST A SLOWLY TIGHTENING
NOOSE AROUND A COUNTRY THAT IS FIGHTING FOR ECONOMIC
SURVIVAL.

4. IF THE INTERNATIONAL FINANCIAL COMMUNITY, IN THE
SHAPRE OF THE PARIS CLUB CREDITORS AND THE BOARDS OF
DIRECTORS OF THE INTERNATIONAL FINANCIAL INSTITUTIONS,
CONTINUES TO WITHHOLD ASSISTANCE FROM CHILE ON POLITICAL
GROUNDS, THE PROSPECTS WILL BE BLEAK INDEED. CHILE
COULD BE SUBECTED TO A VARIETY OF ECONOMIC AND
FINANCIAL SANCTIONS MORE PUNISHING THAN THOSE IT
EXPERIENCED UNDER ALLENDE. AND IT IS THE MISFORTUNE
OF CHILE THAT, UNLIKE CUBA, IT CANNOT TODAY RELY
ON A MAOR POWER TO BAIL IT OUT IN ITS ADVERSITY.

5. SPECIFICALLY, IF PRESENT TRENDS CONTINUE, THE FIRST
CASUALTY WILL BE CHILE'S ALREADY BATTERED INTERNATIONAL
CREDIT STANDING. IF THE PARIS CLUB FAILS TO AGREE TO
RESCHEDULE CHILE'S 1975 DEBT OBLIGATIONS, WE BELIEVE
CHILE WILL SEEK BILATERAL RESCHEDULING AGREEMENTS WITH
THOSE MAJOR CREDITORS WILLING TO NEGOTIATE--PRESUMABLE
THE US, GERMANY, SPAIN, CANDADA AND JAPAN, AND POSSIBLY
SWITZERLAND AND FRANCE. CHILE MIGHT OFFER THE REMAINING
CREDITORS SOMETHING LIKE THE SAME TERMS WORKED OUT WITH
THE MAJOR CREDITORS BILATERALLY. ON THE OTHER HAND,
CHILE MIGHT SIMPLY REFUSE TO MAKE PAYMENTS TO THEM IN THE
HOPE THAT THIS WOULD HELP BRING THEM AROUND TO A MORE
REASONABLE ATTITUDE.

SECRET

SECRET

PAGE 03 SANTIA 02045 01 OF 03 050000Z

6. THE IMMEDIATE FINANCIAL EFFECTS OF ARRANGEMENTS OF
THIS SORT MIGHT NOT BE GREATLY DIFFERENT FROM WHAT MIGHT
EMERGE FROM A PARIS CLUB AGREEMENT. ESSENTIALLY, THE
CHILEAN SITUATION IS SUCH THAT CHILE'S CREDITORS ARE
GOING TO HAVE TO WAIT FOR THEIR MONEY. HOWEVER, THE
ONGER-RUN EFFECTS WOULD BE ALTOGEHTER DIFFERENT. IN
SEEKING NEW BORROWINGS CHILE COULD NO LONGER DISPLAY
THE SEAL OF APPROVAL OF HER CREDITORS. ON THE CONTRARY,

CHILE WOULD ENTER THE INTERNATIONAL FINANCIAL MARKETS WITH A SUBSTANTIAL NUMBER OF HER CREDITORS ACCUSING HER OF FAILURE TO MEET HER OBLIGATIONS. CHILE'S SUPPORT FROM THE INTERNATIONAL FINANCIAL INSTITUTIONS, AN ABSOLUTE MAINSTAY, WOULD BEGIN TO DRY UP. FURTHERMORE, A PARIS CLUB FAILURE WOULD REINFORCE TENDENCIES IN THE US CONGRESS FURTHER TO RESTRICT US ECONOMIC ASSISTANCE, INCLUDING BILATERAL DEBT RESCHEDULING.

7. CHILE'S WEAKENED CREDIT STANDING WOULD INTENSIFY ITS BALANCE OF PAYMENTS PROBLEMS. EVEN AT EXORBITANT INTEREST RATES, IT WOULD BE UNLIKELY THAT CHILE COULD BORROW THE AMOUNT REQUIRED TO CLOSE THE PAYMENTS GAP. THE ONLY ALTERNATIVE WOULD BE DRASTIC REDUCTIONS IN IMPORTS, INCLUDING SUCH CRITICAL ITEMS AS FOOD, FUELS AND CAPITAL AND INTERMEDIATE GOODS. THERE IS VERY LITTLE MARGIN IN THE CHILEAN ECONOMY FOR SUCH CUTS. THE EFFECTS IN TERMS OF LOWER OUTPUT AND CONSUMPTION, AND INCREASED UNEMPLOYMENT, WOULD BE FELT AT ONCE.

8. THE DOMESTIC ECONOMIC PROBLEM. CHILE'S "SOCIAL MARKET ECONOMY" PROGRAM IS IN TROUBLE. ITS OBJECTIVES ARE COMMENDABLE: TO INDUCE GROWTH BY REVIVIFYING COMPETITIVE PRIVATE ENTERPRISE AND DOMESTIC AND FOREIGN INVESTMENT; TO INCREASE PRODUCTIVITY AND EMPLOYMENT THROUGH ECONOMIC INCENTIVES; TO CURB CHILE'S RAMPANT INFLATION BY SLASHING THE GOVERNMENT'S DEFICIT SPENDING; TO DIVEST THE GOVERNMENT OF MOST OF PUBLICLY OWNED OR CONTROLLED, AND ALMOST INVARIABLY UNPROFITABLE, BUSINESSES LARGE AND SMALL; TO ELIMINATE REDUNDANT EMPLOYMENT; TO REDUCE BARRIERS TO IMPORTS; TO ENCOURAGE AGRICULTURAL OUTPUT ON INDIVIDUALLY OWNED FARMS; AND, AT THE SAME TIME, TO PROTECT THE UNDERPRIVILEGED AGAINST THE WORST EXCESSES

SECRET

SECRET

PAGE 04 SANTIA 02045 01 OF 03 050000Z

OF LAISSEZ-FAIRE ECONOMIC SYSTEMS.

9. THE REALITY HAS NOT MEASURED UP TO EXPECTATIONS. THE COUNTRY'S ECONOMIC MANAGERS HAVE NOT BEEN ABLE TO MAINTAIN THE STEADY, GRADUAL APPROACH TOWARD THE FOREGOING OBJECTIVES THEY HAD ORIGINALLY ENVISIONED. WITH CERTAIN EXCEPTIONS THE ECONOMY'S RESPONSE TO STIMULI HAS BEEN SLUGGISH. NEITHER FOREIGN NOR DOMESTIC INVESTMENT HAS REACHED THE DESIRED LEVELS. THE RIGIDITIES OF THE STATIST ECONOMY AND THE BUREAUCRATIC STRUCTURE HAVE BEEN RESISTANT TO CHANGE. WHILE CREDIT IS SCARCER IN THE PRIVATE SECTOR, SUBSTANTIAL DEFICIT SPENDING CONTINUES IN THE PUBLIC SECTOR. INFLATION WAS BROUGHT DOWN TO A 375 PER CENT RATE IN 1974. THERE HAS BEEN FURTHER IMPROVEMENT, BUT UNLESS MORE SEVERE MEASURES

ARE TAKEN, THE RATE WILL STILL BE PAINFULLY HIGH.
ON THE SOCIAL SIDE, THE LOWEST INCOME GROUPS ARE BEING
SQUEEZED, IN SPITE OF STEPS TAKEN FOR THEIR PROTECTION.
AND THE BLOATED AND RICKETY SOCIAL SECURITY AND
BUREAUCRATIC STRUCTURE OF THE COUNTRY IS IN A PARLOUS
STATE.

SECRET

NNN

SECRET

PAGE 01 SANTIAGO 02045 02 OF 03 050123Z

72

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

----- 128513

O 042140Z APR 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 2754

SECRET SECTION 2 OF 3 SANTIAGO 2045

STADIS //////////////////////////////////

EXDIS

FOR ASSISTANT SECRETARY ROGERS ONLY

10. FOR ESSENTIALLY POLITICAL REASONS, THE JUNTA DID
NOT AT THE VERY BEGINNING APPLY THE SHOCK TREATMENT OF
HALTING ALL STATE DEFICIT FINANCING AND UNPRODUCTIVE
EMPLOYMENT. PROFESSOR MILTON FRIEDMAN, A RECENT VISITOR,
ADVOCATES SUCH A STEP TODAY. BUT IF THE JUNTA COULD NOT
FACE UP THE POLITICAL AND SOCIAL CONSEQUENCES WHEN IT
FLUSHED WITH TRIUMPH, IT IS UNLIKELY TO DO SO NOW.
AT THE MOMENT ITS ECONOMIC TEAM IS RETURNING TO THE
CHARGE, BUT THE TRUMPETS ARE MUTED AND THE PROSPECTS
DUBIOUS.

11. IF IN ADDITION TO THESE DIFFICULTIES CHILE'S INTER-
NATIONAL ECONOMIC PROSPECTS DETERIORATE FURTHER, WE WOULD
CONSIDER PROBABLE SOME TYPE OF REVERSION TO A DIRECTED,
STATIST ECONOMIC SYSTEM. A NUMBER OF CRITICS, INSIDE THE
GOVERNMENT AND OUT, ARE ALREADY CALLING FOR IT. THUS,
THE SOCIAL MARKET ECONOMY COULD WELL BECOME ANOTHER
CASUALTY OF CHILE'S PLIGHT. WITH ITS COLLAPSE, A

CRITICAL ELEMENT IN THE POLITICAL FORTUNES OF THE
MILITARY GOVERNMENT WOULD HAVE BEEN SHAKEN.

12. WE WOULD EXPECT THE GOVERNMENT TO COVER ITS FAILURE
BY PLACING THE BLAME ON THE FOREIGN CAMPAIGN AGAINST
CHILE, AND ON DOMESTIC OPPONENTS ESPECIALLY THE
SECRET

SECRET

PAGE 02 SANTIA 02045 02 OF 03 050123Z

CHRISTIAN DEMOCRATS. THE JUNTA WOULD BE PRONE TO WRAP
ITSELF EVEN MORE TIGHTLY IN THE FLAG AND TO RING THE
CHANGES ON NATIONALIST AND XENOPHOBIC THEMES, WHILE CALLING
ON THE COUNTRY TO ACCEPT THE SACRIFICES OF A WARTIME
ECONOMY. AT LEAST FOR A TIME, THE COUNTRY WOULD RESPOND.

13. AS THIS PROCESS PROCEEDED, THE MOST LIKELY POLITICAL
EFFECT WOULD BE A RADICALIZATION OF THE MILITARY GOVERN-
MENT. THIS COULD ENTAIL PERSONNEL AS WELL AS POLICY CHANGES.
IN THE EARLY PHASES THERE WOULD PRESUMABLY BE INCREASING
ECONOMIC INTERVENTION AND CONTROLS,
A REGRESSION TO TIGHTER AND HARSHER SECURITY MEASURES,
AND AS INDICATED ABOVE AN UPSURGE OF CHAUVINIST
TENDENCIES. AS TIME WENT ON AND THE ECONOMIC SITUATION
DETERIORATED, THE PROCESS WOULD TAKE ON A MORE POPULIST
TINGE. WE CANNOT PREDICT HOW LONG CHILEAN EFFORTS AT
IMPORT SUBSTITUTION AND THE CREATION OF AN AUTARCHIC
ECONOMY COULD MAINTAIN A MINIMAL DEGREE OF STABILITY.
IT SEEMS CLEAR THAT BOTH FOREIGN AND DOMESTIC PRIVATE
INVESTMENT WOULD STOP, THE ECONOMY WOULD BE FURTHER
DISTORTED, AND EFFECTIVE SOLUTIONS OF CHILE'S
ECONOMIC ILLS WOULD BE INDEFINITELY DEFERRED.

14. ON THE POLITICAL AND SOCIAL SIDE, SUCH A RADICALIZA-
TION WOULD PROBABLY DRAW UPON THE WIDE VARIETY OF
CONTEMPORARY MODELS AT HAND. THE PARTICULAR STYLE CHOSEN
WOULD NOT BE OF MAJOR SIGNIFICANCE -- WHETHER NASSERIST,
PERUVIAN, ALGERIAN, REFLECTING SOME OTHER THIRD-WORLD
SOCIALIST DOCTRINE, OR CHILE'S HOME-GROWN VERSION.
ESSENTIALLY, THE STATE WOULD BE TAKING THE ECONOMIC
MACHINE IN HAND AND MANAGING IT DIRECTLY, WITH ALL
THE CONSEQUENCES FLOWING FROM SUCH DIRECTED SYSTEMS.

15. THE JUNTA'S FOREIGN OPTIONS. AS THIS PROCESS
PROCEEDED, THE CHILEANS WOULD BE CASTING ABOUT FOR THE
FINANCIAL AND MATERIAL ASSISTANCE THEY HAD EXPECTED TO
OBTAIN FROM US AND EUROPEAN SUPPLIERS. THEY WILL CON-
TINUE THEIR ATTEMPTS TO BORROW FROM OIL PRODUCERS. (YOU
WILL RECALL THE SCHEME FOR AN ARIANIAN LOAN TO BE SECURED
BY A COPPER STOCK TO BE HELD PENDING A RISE IN THE
PRICE.) IT IS REASONABLE TO SUPPOSE THAT AS CONDITIONS
SECRET

SECRET

PAGE 03 SANTIA 02045 02 OF 03 050123Z

DETERIORATED THEY MIGHT AGREE TO TERMS INCREASINGLY ADVANTAGEOUS TO THE POTENTIAL LENDERS -- VENEZUELA, THE ARAB STATES, OR IRAN. SUCH CONDITIONS COULD BE POLITICAL AS WELL AS ECONOMIC.

16. OTHER SOURCES OF FOREIGN SUPPORT SEEM LESS PROMISING. BECAUSE OF IDEOLOGICAL AFFINITIES, THE CHILEANS HAVE BEEN LOOKING TO SPAIN AND BRAZIL. THEY HAVE PATCHED UP SOME PAST ECONOMIC DIFFICULTIES WITH THE FORMER AND ARE GETTING SOME BENEFITS IN RETURN, BUT THE SPANISH ARE UNABLE TO HELP ON THE SCALE REQUIRED. BRAZIL COULD DO A GREAT DEAL FOR CHILE, AND THE POSSIBILITIES HAVE BEEN DISCUSSED. WHETHER FOR POLITICAL OR ECONOMIC REASONS, HOWEVER, BRAZILIAN ASSISTANCE HAS SO FAR STILL BEEN LIMITED.

17. ANOTHER POTENTIAL THOUGH UNLIKELY PATRON, STRANGELY, MIGHT BE FOUND IN COMMUNIST CHINA. THE CHINESE EMBASSY IN SANTIAGO IS ACTIVE IN ITS SEARCH FOR LOCAL CONTACTS. THE JUNTA HAS SHARPLY DISTINGUISHED BETWEEN ITS OPPOSITION TO COMMUNISM AT HOME AND ITS WILLINGNESS TO COOPERATE IN FOREIGN AFFAIRS WITH ANY STATE SO DISPOSED. ON THE PRINCIPLE THAT "THE ENEMY OF MY ENEMY IS MY FRIEND," BOTH SIDES COULD CONCEIVABLY FIND AN ECONOMIC ASSISTANCE PROGRAM WORTH WHILE--THE CHINESE TO EXPAND THEIR FOOTHOLD IN SOUTH AMERICAN BEYOND GUYANA AND TO COUNTER SOVIET INFLUENCE IN PERU; THE CHILEANS, TO KEEP THEMSELVES AFLOAT. A CENTRALLY CONTROLLED CHILEAN SIEGE ECONOMY OF THE TUPE EVISAGED ABOVE COULD WELL LOOK TO CHINESE SOCIAL MODELS (WITHOUT THE MARXIST OERLAY) FOR LOCAL ADAPTATION. AT LEAST, A FEW LOCAL PLANNERS ARE TOYING WITH THE IDEA.

18. WE CONCLUDE FROM THE FOREGOING THAT CHILE WOULD FIND IT DIFFICULT TO PICK UP NEW PATRONS TO SUPPLANT OR SUPPLEMENT WHAT THE US HAS PROVIDED IN THE PAST. THE PRICE WOULD BE HIGH, AND THE READJUSTMENT MIGHT BE AWKWARD. IF THE PRESSURES ON CHILE CONTINUE TO INCREASE, HOWEVER, THE JUNTA WILL PURSUE THESE POSSIBILITIES WITH INCREASING VIGOR.

19. THE DOMESTIC OUTLOOK. ON BALANCE, WE ARE INCLINED TO THE VIEW THAT IF THE CHILEANS CANNOT PATCH UP THEIR
SECRET

SECRET

PAGE 04 SANTIA 02045 02 OF 03 050123Z

DIFFICULTIES IN THE US AND WESTERN EUROPE, THEY WILL ESSENTIALLY HAVE TO GO IT ALONE. THE PROSPECT IN THIS

EVENTUALITY IS FOR A LONG WINTER OF AUSTERITY AND DISCONTENT. GRUMBLING OVER THE ECONOMIC SITUATION IS ALREADY WIDESPREAD. FAITH IN THE JUNTA WILL DOUBTLESS SWINDLE.

20. AND YET, IT WOULD ON OUR PRESENT ESTIMATE BE A MISTAKE TO IMAGEINE THAT THE PRESENT REGIME COULD BE DISPLANCED IN THE NEAR FUTURE. IF IT ENJOYS GOOD LUCK AND EXTERNAL ASSISTANCE, IT MIGHT STAY IN POWER FOR YEARS.

21. WITH ALL ITS PROBLEMS, THE JUNTAJ'S BASE OF SUPPORT SEEMS TO HAVE REMAINED SURPRISINGLY BROAD. GRANTED THAT THE ATMOSPHERE OF POLITICAL REPRESSION INHIBITS OPEN CRITICISM, WE ARE IMPRESSED AT THE NEAR TOTAL ABSENCE TO DATE OF EXTENSIVE SIGNS OF OPPOSITION. TERRORISM IS VIRTUALLY NON-EXISTENT; ACTS OF SENSELESS PROPERTY DESTRUCTION ARE RARE AND APPARENTLY IN GENERAL THE WORK OF INDIVIDUAL VANDALS; THERE ARE VERY FEW HOSTILE LEAFLETS ABOUT. WE SEE NO SIGN THAT UNHAPPINESS OVER POLITICAL OR ECONOMIC CONDIIONS IS REACHING A THRESHOLD OF ACTION.

22. OUR BEST EXPLANATION FOR THIS STATE OF AFFAIRS IS THAT MOST OF THE COUNTRY WAS SO TRAUMATIZED BY THE ALLENDE EXPERIENCE, AND SO GRATEFUL TO THE MILITARY FOR ENDING IT, THAT IT CONTINUES TO REPOSE GREAT CONFIDENCE IN ITS MILITARY LEADERS. THERE ARE OF COURSE INNUMERABLE EXCPETIONS AMONG THE MORE SOPHISTICATED AND INDOCTRINATED; BUT THE MAN IN THE STREET STILL REGARDS THE MILITARY AS SELFLESS, INCORRUPTIBLE, AND UNSULLIED BY POLITICAL INTRIGUE (POLITQUERIA).

SECRET

NNN

SECRET

PAGE 01 SANTIA 02045 03 OF 03 050140Z

72

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 128949

O 042140Z APR 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 2755

S E C R E T SECTION 3 OF 3 SANTIAGO 2045

STADIS //

EXDIS

FOR ASSISTANT SECRETARY ROGERS ONLY

23. MOREOVER, WE ARE IMPRESSED BY THE JUNTA'S SUCCESS IN MAINTAINING BROAD UNITY ON GENERAL POLICY MATTERS AMONG ALL THE MILITARY SERVICES. THERE IS NO EVIDENCE OF SUBSTANTIAL DISSIDENCE WITHIN THE JUNTA DESPITE SOME UNFOCUSED GRUMBLING AMONG YOUNGER OFFICERS AND ENLISTED PERSONNEL. HOW LONG THIS CONDITION WILL PERSIST IT IS DIFFICULT TO SAY. IT COULD BE SEVERELY AFFECTED BY DISSATISFACTION ON PROFESSIONAL GROUNDS, AS THE REALIZATION GROWS THAT WITHOUT US OR OTHER MODERN ARMAMENT THE COUNTRY IS OPEN TO EASY ATTACK FROM PERU. AND THE ECHOES OF POPULAR DISCONTENT COULD EVENTUALLY STIMULATE TURBULENCE WITHIN THE MILITARY STRUCTURE, AND DEMANDS FOR RADICAL POLITICAL CHANGE. IN THIS SENSE, A PERUVIAN-TYPE EVOLUTION IS NOT INCONCEIVABLE. WHAT WE WOULD EMPHASIZE AT THIS STAGE, HOWEVER, IS THE LACK OF SUCH TENDENCIES.

24. ALTERNATIVES TO THE JUNTA. ULTIMATELY, ASSUMING THE WORST CONDITONS, THE DEPARTURE OF THE MILITARY WILL BECOME INEVITABLE. WHAT FORM WOULD IT ASSUME?

25. BEYOND A CERTAIN POINT, WE DO NOT BELIVE THE CHILEAN MILITARY WOULD ATTEMPT TO GOVERN BY SHEER FORCE ALONE. SHOULD CONDITIONS DETERIORATE TO THE POINT
SECRET

SECRET

PAGE 02 SANTIA 02045 03 OF 03 050140Z

WHERE THE COUNTRY BEGINS MASSIVELY TO TAX THE MILITARY WITH RESPONSIBILIITY FOR ITS ADVERSITIES, WE WOULD EXPECT THEIR INSTINCT FOR INSTITUTIONAL SURVIVAL TO PROMPT THEM TO SHRE IF NOT SURRENDER POLITICAL RESPONSIBILITY. BY THE TIME THIS OCCURED, HOWEVER, CONDITIONS WOULD LIKELY TO BE SUCH THAT AN ORDERLY TRANSFER OF POWER WOULD BE CONJECTURAL.

26. AT THIS JUNCTURE THE MILITARY MIGHT BE EXPECTED TO SEEK TO ARRANGE SOME KIND OF INSTITUTIONAL HOCUS-POCUS WHICH WOULD SHIFT THE BURDEN OF POLITICAL ACCOUNTABIITY FROM THEIR SHOULDERS, WHILE PERMITTING THEM TO MANIPULATE THE LEVERS OF REAL POWER FROM THE BACKGROUND. FOR THIS PURPOSE LOGIC WOULD SUGGEST THAT THEY MIGHT TURN TO THE CHRISTIAN DEMOCRATS, CHILE'S LARGEST POLITICAL PARTY AND THE ONLY NON-MARXIST PARTY CAPABLE OF FORMING A LEGITIMATE GOVERNMENT ALONE. BUT MILITARY DISDAIN FOR

AND DISTRUST OF THE CHRISTIAN DEMOCRATS IS SO GREAT THAT THE JUNATA WOULD BE LIKELY TO GIVE SERIOUS CONSIDERATION TO SUCH A FORMULA ONLY AT THE TWENTY-FIFTH HOUR. BY THAT TIME THE DECLINING STAR OF THE MILITARY GOVERNMENT WOULD BE SO APPARENT TO ALL THAT THE CHRISTIAN DEMOCRATS, IN THE INTEREST OF THEIR OWN POLITICAL SURVIVAL, WOULD BE SEEKING TO PUT AS MUCH DISTANCE BETWEEN THEMSELVES AND THE MILITARY AS POSSIBLE. EVEN TODAY, THE BAD BLOOD BETWEEN THE MILITARY AND THE CHRISTIAN DEMOCRATS MAKES ANY COOPERATION IMPROBABLE.

27. AS ANOTHER ALTERNATIVE, THE MILITARY MIGHT IN AN EXTREMITY SEEK TO TURN OVER REAL AS WELL AS OSTENSIBLE POWER TO SOME KIND OF CARETAKER, NON-MARXIST COALITION PREPONDERANTLY DRAWN FROM THE CHRISTIAN DEMOCRATS. SUCH A SUCCESSOR GOVERNMENT WOULD FACE AN AWESOME TASK. IT WOULD INHERIT AN ECONOMY IN EVEN WORSE CONDITION THAN THAT LEFT BY ALLENDE. IT WOULD HAVE TO LOOK TO AN EMBITTERED AND PSYCHOLOGICALLY CRIPPLED MILITARY FOR THE PRESERVATION OF INSTITUTIONAL ORDER. ITS OWN PARTY MECHANISMS WOULD BE ATROPHIED FROM THE POLITICAL RECESS. AND IT WOULD BE THE TARGET OF DOMESTIC AND FOREIGN MARXIST AGITATION DENOUNCING ITS ILLEGITIMACY AS THE "COLLABORATIONIST" HEIR OF A MILITARY DICTATORSHIP. IN SUCH CIRCUMSTANCES,
SECRET

SECRET

PAGE 03 SANTIA 02045 03 OF 03 050140Z

ONE COULD SPECULATE ON THE PROSPECTS FOR AN IMMEDIATE OR EVENTUAL OPENING TO THE (MARXIST) LEFT ON THE PART OF TOMIC-TYPE, LEFT-WING CHRISTIAN DEMOCRATS. SHOULD SUCH A TENDENCY DEVELOP, CHILE'S ANTI-COMMUNIST MILITARY LEADERS WOULD BE TEMPTED TO REACT BY FORCE.

28. THERE REMAINS A THIRD AND MORE REMOTE POSSIBILITY: A VIOLENT LEFTIST TAKE-OVER. WITHIN CHILE TODAY, THE HEADS OF THE LEFT ARE DOWN, AND THEY ARE QUIET. THE MIR, THEIR TERRORIST WING, HAS BEEN EFFECTIVELY NEUTRALIZED FOR THE TIME BEING. BUT THE COMMUNIST PARTY CONTINUES ITS QUIET ORGANIZATIONAL WORK DESPITE GOVERNMENT PERSECUTION, AND IT MUST BE ASSUMED THAT A LARGE BODY OF ALLENDE REGIME SYMPATHIZERS WOULD SURFACE IF IT BECAME SAFE TO DO SO.

29. MEANWHILE, OUTSIDE CHILE THE PROPAGANDA AND THE PREPARATIONS OF EXILED CHILEAN LEADERS GROW APACE. WITH COMMUNIST AND OTHER SOURCES OF OFFICIAL AND PRIVATE SUPPORT, THESE CHILEANS ARE PREPARING -- AND WAITING. AT SOME STAGE WE WOULD EXPECT THEM TO BEGIN ATTEMPTS TO INFILTRATE TERRORISTS INTO THE COUNTRY. BUT IF THEY SHOULD EVER TAKE OVER, THEY WILL NOT, WE IMAGINE, RISK ANOTHER DEFEAT: WE WOULD ANTICIPATE A RIGID AND RUTHLESS DICTATORSHIP. IT WOULD BE A GOVERNMENT AS ANTAGONISTIC TO US

INTERESTS AS, SAY, CASTRO'S CUBA IN ITS EARLY DAYS.

30. THE BRIGHTER SIDE. WE DO NOT CONSIDER ANY OF THE FOREGOING CONTINGENCIES TO BE FOREORDAINED. THE JUNTA HAD THE BAD LUCK TO TAKE OVER CHILE AND ITS AILING ECONOMY SHORTLY BEFORE THE ONSET OF A WORLD ECONOMIC CRISIS. IT COULD HAVE THE GOOD LUCK TO PROFIT FROM A PRONOUNCED AND EARLY UPTURN.

31. TO SOME EXTENT, TOO, THE JUNTA MAY BE MASTER OF ITS FATE. AS WE HAVE OFTEN SAID, IT IS NOT AT THE HEAD OF A MONOLITHIC GOVERNMENT. RATHER, IT CONSISTS OF A GROUP OF MILITARY LEADERS TUGGED THIS WAY AND THAT BY POLITICAL ADVISERS OF DIVERGENT VIEWS. SOME CAN FAIRLY BE DESCRIBED AS HARD-LINERS WITH FASCIST INSTINCTS; OTHERS AGONIZE OVER THE HUMAN RIGHTS SITUATION AND SEEK A RETURN TO MORE TRADITIONAL CHILEAN VALUES AND PRACTICES. FOR THE
SECRET

SECRET

PAGE 04 SANTIA 02045 03 OF 03 050140Z

MOST PART, THE FORMER HAVE GAINED THE DAY WITH PRESIDENT PINOCHET. BUT A TURN TOWARD MODERATION IS CERTAINLY NOT YET EXCLUDED, IF ONLY BECAUSE OF THE GOVERNMENT'S INSTINCT FOR SELF-PRESERVATION.

31. IN THE FACE OF ITS DIFFICULTIES, THE JUNTA MIGHT CONCEIVABLY RECOGNIZE THAT CHILE IS TOO WEAK AND TOO POOR TO DISREGARD THE WORLD-WIDE OTCRY OVER ITS HUMAN RIGHTS PRACTICES. THE JUNTA COULD IF IT WOULD DEFER TO THE PRINCIPAL CRITICISMS LEVELLED AGAINST IT; MOVE SMARTLY TOWARD RESTORATION OF NORMAL CONDITIONS AS REGARDS INDIVIDUAL RIGHTS; AND PROGRESSIVELY RELAX RESTRICTIONS ON POLITICAL ACTIVITY. THE EFFECT WOULD BE TO SPLIT THE FOREIGN OPPOSITION: LEFTISTS WHOSE UNDERLYING PURPOSE IS TO RESTORE A MARXIST GOVERNMENT IN CHILE WOULD NOT BE APPEASED, BUT SINCERE CRITICS ON HUMANITARIAN GROUNDS SHOULD BE IMPRESSED. THERE MIGHT THEN BE IMPROVED PROSPECTS FOR MORAL AND MATERIAL SUPPORT FROM THE UNITED STATES AND WESTERN EUROPE, AND THE REGIME'S CHANCES FOR SURVIVAL WOULD BE MATERIALLY IMPROVED. THERE COULD BE NO GUARANTEES. THERE WOULD BE RISKS. BUT THE LONG-TERM PROSPECTS FOR CHILE'S RULERS -- AND FOR US INTERESTS -- WOULD BE BETTER ON THIS TRACK THAN ON ANY OTHER.

33. WE PRESENT THE FOREGOING NOT WITH ANY PRESUMPTION TO A GIFT FOR PROPHECY, BUT AS OF POSSIBLE ASSISTANCE IN THE DEPARTMENT'S POLICY-MAKING PROCESS. PLEASE ADVISE US IF YOU WISH US TO PUSH OUR ANALYSIS FURTHER IN ANY PARTICULAR.
POPPER

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, FINANCIAL TRENDS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 APR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchantr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANTIA02045
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750118-0071
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750480/aaaacvgd.tel
Line Count: 546
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: STADIS
Reference: 75 STATE 74045
Review Action: RELEASED, APPROVED
Review Authority: buchantr
Review Comment: n/a
Review Content Flags:
Review Date: 13 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 MAY 2003 by izenbei0>; APPROVED <01 OCT 2003 by buchantr>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POSSIBLE DEVELOPMENTS OVER MEDIUM AND LONG-TERM --CHILE
TAGS: PGOV, PINT, PINS, ECON, CI, PARIS CLUB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006